

# STROUD DISTRICT COUNCIL

## HOUSING COMMITTEE

TUESDAY, 19 SEPTEMBER 2023

<b>Report Title</b>	<b>BUDGET MONITORING REPORT 2023/24 QUARTER 1</b>			
<b>Purpose of Report</b>	To present the 2023/24 forecast outturn position against the General Fund and Housing Revenue Account (HRA) revenue budgets and Capital Programme that the Committee is responsible for, in order to give an expectation of possible variances against budget.			
<b>Decision(s)</b>	<b>The Committee RESOLVES to note the outturn forecast for the General Fund and HRA revenue budgets and the Capital Programmes for this Committee.</b>			
<b>Consultation and Feedback</b>	Budget holders have been consulted about the budget issues in their service areas. The feedback has been incorporated into the report to explain differences between budgets and actual income and expenditure.			
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<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	None			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

### 1. INTRODUCTION

- 1.1 The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform members of any action to be taken if required.

### 2. SUMMARY

- 2.1 The General Fund revenue position shows an expected overspend of £23k above budget, as shown in Table 1. The General Fund capital forecast shows an underspend of (£261k).
- 2.2 The HRA is currently expected to have a revenue overspend of £122k and a net capital programme underspend of (£7,502k).

### 3. GENERAL FUND REVENUE BUDGET POSITION

- 3.1 Council approved the original General Fund revenue budget for 2023/24 in February 2023. The latest budget for Housing Committee, following carry forwards from 2022/23, is £1,307k.
- 3.2 The budget monitoring position for the service at Quarter 1 shows an overspend of £23k, as summarised in Table 1.

Table 1: General Fund Revenue Budgets

Housing Committee	Para Refs	2023/24 Original Budget (£'000)	2023/24 Revised Budget (£'000)	2023/24 Forecast Outturn (£'000)	2023/24 Reserve Transfers (£'000)	2023/24 Outturn Variance (£'000)
Housing Advice	3.3	514	514	365	172	23
Housing Strategy	3.4	174	327	327	0	0
Private Sector Housing		191	466	466	0	0
<b>Housing General Fund Total</b>		<b>879</b>	<b>1,307</b>	<b>1,158</b>	<b>172</b>	<b>23</b>

### 3.3 Housing Advice and Homelessness - £23k overspend

Spend on Temporary Accommodation and Bed and Breakfast is eligible for Housing Benefit. The generally higher costs of temporary accommodation mean that the full cost cannot be recovered. Across the service the shortfall within the Temporary Accommodation income has been compensated by greater grant income than budgeted within Homelessness and Homelessness Prevention.

There has been additional grant funding received from the Department for Levelling up, Housing and Communities (DLUHC) within housing advice in respect of homelessness and Ukraine homelessness prevention. £172k has been transferred to earmarked reserves to fund future usage requirements, which will be dependent on the overall outturn position at year end.

### 3.4 Housing Strategy

Housing Strategy works are grant funded by the DLUHC including using previously received grants. Where DLUHC grants are awarded at short notice they are utilised in the first instance and the budgeted funds are used elsewhere. Any unspent grant funds will look to be carried forward in order to fund housing-related services in the next financial year. This is regarded as good practice in allowing flexibility in the face of unanticipated increases in demand for services, or improvement to commissioned services, such as rough sleeper outreach or target hardening works to properties for households experiencing domestic abuse.

Additional grant funding received from the Department for Levelling up, Housing and Communities (DLUHC) within housing strategy in respect of New burdens domestic abuse and Asylum Dispersal as well as prior years brought forwards budgets, are forecast to be utilised with the forthcoming year.

## 4. GENERAL FUND CAPITAL PROGRAMME

4.1 The Housing General Fund Capital Programme was approved by Council in February 2023. This has subsequently been revised to £4,496k after slippage from 2022/23.

4.2 Spend is currently forecast at £4,235k.

### 4.3 Disabled Facilities Grant Scheme – £390k Overspend

The Disabled Facilities Grant scheme projected overspend is due to an increase in volume and value of discretionary grant payments. This has led to an increase in the number of referrals received and consequently more occupational therapists from the County Council dealing with the backlog.

#### 4.4 Sustainable Warmth - LADS 3 (£345k) underspend

This is funding provided by the department for business, energy and industrial strategy (BEIS) following a successful bid to the Green Homes Local Authority Delivery Scheme (LADS) 3 scheme. SDC are the lead partner in this Countywide bid to provide insulation to park homes.

Green Homes (LADS) 3 energy efficiency and heating improvements to homes on the gas network has an underspend of (£345k), having carried forward (£785k) from 2022/23 due to an extension to the project. The project is due to complete by September 2023 with anticipated unspent funding of £0.5m returned to BEIS.

#### 4.5 Health through Warmth Grants - £200k pressure

This scheme is funded by the Clinical Commissioning Group (CCG) and like Warm Homes covers the whole county. The funding for the Health through Warmth is predominantly used for insulation and heating systems to increase thermal efficiency in homes of people with cold or damp related health issues. Where possible this used in conjunction with the Warm Homes funding. The £200k pressure is in respect of insulation grants and is due to the budget not being set for 2023/24, which be updated via the budget setting process in September.

#### 4.6 Sustainable Warmth - Home Upgrade Grant (£506k) underspend

Home Upgrade Grant energy efficiency and heating improvements to homes not on the gas network is showing an underspend of (£972k,) having carried forward (£2,216k) from 2022/23 due to an extension to the project. The project is due to complete by September 2023 with anticipated unspent funding of £1.5m returned to BEIS.

An additional £466k is anticipated being spent in respect of HUG 2 insulation & renewable heating to off gas properties. The budget for this has not being set for 2023/24 and will be updated through the budget setting process in September.

4.7 The following table gives a breakdown of the programme.  
Table 2: Housing Committee Capital Programme

	Para Refs	2023/24 Original Budget (£'000)	2023/24 Revised Budget (£'000)	2023/24 Forecast Outturn (£'000)	2023/24 Outturn Variance (£'000)
<b>Housing Capital Schemes</b>					
Disabled Facilities Grant Scheme	4.3	330	330	720	390
Green Homes LADS 3	4.4	0	785	440	(345)
Health through Warmth Grants	4.5	0	0	200	200
Home Upgrade Grant - Sustainable Warmth	4.6	0	2,216	1,710	(506)
Private Sector Housing Loans		15	15	15	0
Temporary Accommodation		0	190	190	0
Warm Homes-Low Carbon Initiatives		0	960	960	0
<b>Housing General Fund Capital Schemes TOTAL</b>		<b>345</b>	<b>4,496</b>	<b>4,235</b>	<b>(261)</b>

## 5. HOUSING REVENUE ACCOUNT BUDGET POSITION

5.1 The original net Housing Revenue Account (HRA) budget for 2023/24 is a transfer to reserves of £1,814k, as approved by Council in February 2023.

5.2 The monitoring position for the service at Quarter 1 shows a projected net overspend of £122k (0.4%) of gross spend against the current budget, following a proposed net transfer to earmarked reserves of (£1,445k), as shown in Table 3 (below)

Table 3: HRA Revenue Summary

Housing Committee	Para Refs	2023/24 Original Budget (£'000)	2023/24 Revised Budget (£'000)	2023/24 Forecast Outturn (£'000)	2023/24 Reserve Transfers (£'000)	2023/24 Outturn Variance (£'000)
Dwelling rents and service charges		(25,777)	(25,777)	(25,678)	0	99
Other charges and income		(654)	(654)	(648)	0	6
Provision for bad debt		200	200	200	0	0
<b>Total Income</b>	<b>5.3</b>	<b>(26,230)</b>	<b>(26,230)</b>	<b>(26,126)</b>	<b>0</b>	<b>105</b>
Supervision and management		4,915	4,915	4,924	0	9
Repairs and maintenance	5.4	5,452	5,684	6,247	0	563
Independent Living service	5.5	1,244	1,244	880	0	(364)
Other expenditure	5.6	789	789	646	0	(143)
Independent Living Modernisation	5.7	450	450	402	0	(48)
<b>Total Expenditure</b>		<b>12,850</b>	<b>13,082</b>	<b>13,099</b>	<b>0</b>	<b>17</b>
Support Service Charges from the GF		2,650	2,650	2,650	0	0
Interest payable/receivable		3,179	3,179	3,179	0	0
Provision for repaying debt		1,026	1,026	1,026	0	0
Revenue funding of capital programme (Depn & RCCO)		9,553	9,553	9,553	0	0
<b>Total Other Costs and Income</b>		<b>16,408</b>	<b>16,408</b>	<b>16,408</b>	<b>0</b>	<b>0</b>
<b>Total Net Expenditure</b>		<b>3,027</b>	<b>3,259</b>	<b>3,381</b>	<b>0</b>	<b>122</b>
Transfers to/(from) HRA earmarked reserves		(1,213)	(1,445)	(1,445)	0	0
Transfers to/(from) HRA general reserves		(1,814)	(1,814)	(1,814)	0	0
<b>Total Housing Revenue Account</b>		<b>0</b>	<b>0</b>	<b>122</b>	<b>0</b>	<b>122</b>

Note: table may contain rounding differences

### 5.3 Income – £105k loss of income

The hard work of the Property Care team and its contractors assisted through additional targeted resources has meant we are continuing to reduce the historical backlog of empty council house properties undergoing works to make them ready to be let. The current figure for such properties is 45-50. Material and labour supply chains still remain uncertain, and we will continue monitor how this may impact on workstreams.

As a result of the reduction in the voids there has been an increase in let properties and therefore rental income, however the small reduction in income variance is as a result of the timing of rent notifications. There is also an expected reduction against budget for district heating charges, as the charges to tenants have been reduced (as approved by

Housing Committee in June 2023). This reduction is offset by the reduced utilities charges reported in Independent Living.

An allowance for nonpayment of rents is included in the Provision for Bad Debt line. The amount is not yet known, and it is hoped that this can be reduced during the year through proactive support for tenants including sustainable payment arrangements to maintain tenancies.

Income levels will continue to be monitored.

#### **5.4 Repairs and maintenance – £563k overspend**

There were a number of posts that became vacant in 2022/23 within Property Care. Taking into account vacancy and recruitment across the year the underspend is estimated to be (£199k).

Where trade posts have remained, vacant additional costs are being recorded for sub-contractors in order to maintain work patterns. Further work is being undertaken by the property care team to establish the impact of inflation as well as the costs of labour and materials in respect of the overall service position. The estimated variance of for sub-contractors is £195k which is a combination of current working sub-contractor requirements and also cover for vacant trade posts.

Investment revenue has a £246k variance due to an overspend in the cyclical painting contract. This contract ended at the end of June 2023 with extra costs incurred as a result of additional properties being identified throughout the year, and the project taking a street-based approach. If the contract had not been due to end, this work would have been reprofiled into the following years programme.

There is a £178k variance relating to council tax on voids and a £150k projected overspend across the property care service.

#### **5.5 Independent Living Service – (£364k) underspend**

(£160k) of the underspend is the projected reduction in the cost of gas and (£220K) projected reduction in electricity within the independent living properties as a consequence of the change in national utility costs.

#### **5.6 Other Expenditure – (£143k) underspend**

(£147k) of the underspend is due to the reduced projected costs of electric supply within the communal areas of flat blocks as a consequence of the change in national utility costs.

#### **5.7 Independent Living Modernisation – (£48k) underspend**

Independent Living Modernisation Programme (previously known as the Sheltered Modernisation Programme) includes modernisation works to green and amber schemes, as well as the decanting costs and void costs e.g. council tax for the red schemes. It consists of works to schemes that are part revenue and part capital and the budget is split based on estimates.

This is fully funded from the Independent Living modernisation earmarked reserve.

The underspend relates to Council Tax adjustments for 2022/23 in respect of buildings at Glebelands (£27K) and Cambridge House (£13k) which have now been demolished.

## 5.8 Transfers to/from Earmarked reserves

The earmarked reserve transfers included in the budget are shown in the table below.

The transfer from the Independent Living Modernisation is in line with the approved budget.

Further changes to this position are likely, including for the Transformation and Retrofit reserves. This will be reported in later budget monitoring reports.

Table 4 – HRA Earmarked Reserves – budgeted transfers

<b>Earmarked Reserves</b>	<b>Opening Balance</b>	<b>Transfers in</b>	<b>Transfers out</b>	<b>Closing Balance</b>
	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>
Independent Living Modernisation	3,193	1,000	(2,160)	2,033
HRA Underspend 2022/23	330	0	0	330
HRA General Contingency	100	0	0	100
HRA Carry Forwards	332	0	(232)	100
Provision for repayment of debt	2,897	1,026	0	3,923
Transformation	416	0	(53)	363
Retrofit	168	0	0	168
	<b>7,436</b>	<b>2,026</b>	<b>(2,445)</b>	<b>7,017</b>

## 6. HRA CAPITAL PROGRAMME

6.1 The HRA capital programme has been revised to £32,404k for 2023/24. This includes slippage from 2022/23 as approved by Strategy and Resources Committee in July 2023.

6.2 The following table gives a breakdown of the current capital programme.

Table 5: HRA Capital

<b>Capital Summary</b>	<b>Para Refs</b>	<b>2023/24 Original Budget (£'000)</b>	<b>2023/24 Revised Budget (£'000)</b>	<b>2023/24 Forecast Outturn (£'000)</b>	<b>2022/23 Outturn Variance (£'000)</b>
Central Heating	6.4	2,136	2,336	1,000	(1,336)
Disabled Adaptations		155	155	155	0
Kitchens and Bathrooms		487	1,150	1,150	0
Major Works		879	879	879	0
Compliance		196	196	182	(14)
Doors and Windows	6.5	1,169	1,169	1,076	(93)
Electrical Works		668	668	668	0
Environmental Works		1,830	1,830	1,830	0
Door Entry	6.6	44	44	93	49
External Works	6.7	3,651	3,651	3,791	140
Fire Risk Works		122	612	612	0
Decarbonisation Projects		0	2,399	2,399	0
<b>Total Major Works</b>	<b>6.3</b>	<b>11,337</b>	<b>15,089</b>	<b>13,835</b>	<b>(1,254)</b>
Depot		0	0	0	0
<b>Total Other Capital Works</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
New Homes Contingency		50	50	50	0
Glebelands	6.9	3,580	3,706	504	(3,202)
Cambridge House	6.9	3,201	3,222	1,268	(1,954)
Broadfield Road, Eastington		0	0	1	1
Orchard Road, Ebley		0	0	1	1
Queens Drive, Cashes Green		14	21	19	(2)
Ringfield Close, Nailsworth		0	0	3	3
Summersfield Road, Minchinhampton		0	0	0	0
Gloucester St and Bradley St, WuE	6.9	1,875	1,904	793	(1,111)
May Lane Dursley		0	33	48	15
<b>Total New Build and Development</b>	<b>6.8</b>	<b>8,720</b>	<b>8,936</b>	<b>2,687</b>	<b>(6,249)</b>
Independent Living Modernisation		652	909	909	0
<b>Total Independent Living Modernisation</b>		<b>652</b>	<b>909</b>	<b>909</b>	<b>0</b>
Acquisitions		4,000	4,470	4,470	0
Opportunity Land Acquisition Pot		3,000	3,000	3,000	0
<b>Total Acquisitions</b>		<b>7,000</b>	<b>7,470</b>	<b>7,470</b>	<b>0</b>
<b>Total Capital Expenditure</b>		<b>27,709</b>	<b>32,404</b>	<b>24,902</b>	<b>(7,502)</b>

### 6.3 Major Works – (£1,254k) underspend

A full review of projects is underway to determine what is deliverable with the resources available, with staff and materials resourcing pressures and the current financial climate.

### 6.4 Central Heating (£1,336k) underspend

An exercise is currently in place to procure a new contractor to deliver the central heating work stream. The budget forecast variance of (£1,336k) has therefore been amended to reflect a revised anticipated start date in the 4<sup>th</sup> quarter 2023. The service will continue to carry out critical failure requirements in the interim on a service-based approach.

## 6.5 **Doors and Windows (£93k) underspend**

The bulk of the variance relates to a (£105k) underspend within windows where some of the programmed works are pending retrofit survey outcomes, with the small overspend balance variance applying to Doors.

## 6.6 **Door Entry £49k pressure**

Door entry reports a £49k pressure which relates to a £20k urgent upgrade to a housing block where doors are beyond economical repair. There has also been a 21% uplift on each block which is driving the costs up, and this would not have been accounted for when the original budgets were set.

## 6.7 **External Works £140k pressure**

The £140k pressure is due to an increased volume of repair work which is being completed by the planned contract service rather than repairs. It is anticipated that the overspend in this area will result in a reduction in Property Care costs as the work will be delivered within the assets service.

## 6.8 **New Build and Regeneration – (£6,249k) underspend**

The new build programme runs across several financial years which can result in under/overspends if the programme changes against original estimates. The procurement of a new contractor and complex challenges on some sites has led to this underspend. Construction is the next key milestone to be achieved at Gloucester Street/Bradley Street, Cambridge House and Glebelands and is due to take place within the financial year. These sites will deliver a total of 44 affordable properties (39 affordable rent and 5 shared ownership). Upon completion of the projects the final project costs and outturn position will be reported in the relevant budget monitoring report when the assessment of closure costs is complete.

## 6.9 **Glebelands – (£3,202k) slippage / Cambridge House – (£1,954k) slippage / Gloucester Street and Bradley Street – (£1,111k) slippage**

The contract for each of these three sites has been tendered this financial year through the Westworks Portal. The clarification period was extended due to further detailed design work being undertaken to de-risk elements of the project at Gloucester Street/Bradley Street. This design work required the submission of a Section 73 Planning Application. The determination date was 4<sup>th</sup> August, however the application was 'called in' and will be determined at Development Control Committee on 12<sup>th</sup> September. The successful contractor will be confirmed once the contract is awarded, and this is due to take place this month. Demolition of all three sites is now complete and the sites are ready for construction to commence upon award of contract. The current budget monitoring position shows slippage for this year which may increase further once the final programme is set by the contractor. Any slippage will move into the following financial year, and it is expected that completion of the properties will take place on a phased basis from late 2024 into 2025. The next budget monitoring update will provide a much clearer position of the programme slippage encountered on these sites.



## 6.10 Acquisitions – on target

The property acquisitions budget relates to the Local Authority Housing Fund (£4m), a fund which is part funded from Government grant to purchase properties for household resettling from Ukraine and Afghanistan. One property was purchased in quarter one and further properties have been identified and will be reported during the year.

There is also a £470k budget for the purchase of three Section 106 properties (developer obligations on new housing schemes) in Wotton-under-Edge.

The Opportunity Land Acquisition Pot budget is opportunity led and may not be used in full in any financial year.

## 7. IMPLICATIONS

### 7.1 Financial Implications

This report is of a financial nature, reporting on previous financial activities and expected forecasts. Potential financial pressures are detailed in the report.

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### 7.2 Legal Implications

There are no specific legal implications arising from the recommendation of the report.

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### 7.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

### 7.4 Environmental Implications

There are no significant implications within this category.